

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 56 – SB 1175

February 23, 2015

SUMMARY OF BILL: Prohibits a TennCare contracted managed care organization (MCO) from denying any licensed dentist who agrees to the same terms and conditions of the contract, policy, or plan as those offered any other dental services provider from participating as a provider if certain criteria are met. The dentist will qualify as a provider in the plan if he or she holds a current and nonresponsive license to practice dentistry in the state; has practiced dentistry in the same location, or within a two-mile radius of that location since being approved as a medical assistance provider or TennCare provider under this part; has participated continuously in the TennCare program for at least 10 years; and has ceased to function as a TennCare provider for any period since January 1, 2013, for any reason other than a violation state law.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$1,671,700

Increase Federal Expenditures - \$3,109,300

Assumptions:

- The Bureau of TennCare (Bureau) changed the dental benefits manager (DBM) vendor in 2013. The new contract vendor does not include 179 dental providers in the provider network that were previously included as a TennCare dental provider. Of these 179 providers, 74 were TennCare providers in 2003 and are assumed to meet the requirements of the proposed legislation to be reinstated into the provider network as a TennCare dental provider.
- According to the Bureau, the program has saved approximately \$26,000,000 in claims expenditures in the first year of the contract [\$165,000,000 in federal fiscal year (FFY) 12-13 - \$139,000,000 in FFY13-14].
- Applying the dental fee schedule for FFY13-14 to the utilization pattern in FFY12-13, the Bureau was able to determine approximately \$4,000,000 of savings were attributable to rate changes, the remaining \$22,000,000 is attributed to higher service utilization under the previous vendor network.
- The Bureau reports that total payments to the 179 dental providers who are no longer included in the provider network were \$22,268,125 for the final year of services delivered under the contract (October 1, 2012 through September 30, 2013).

- Total payments to 151 new dentists in the provider network under the new contract vendor were \$10,703,155 for the first year of the services delivered under the new contract (October 1, 2013 through September 30, 2014).
- The difference in payments to the previous 179 providers and the 151 new providers is \$11,564,970 (\$22,268,125 - \$10,703,155).
- Since the provisions of the bill will limit reinstatement to approximately 74 dentists, the possible increase in expenditures is estimated to be 41.34 percent (74/179) of the savings realized in the first year or \$4,780,959 (\$11,564,970 x .4134).
- TennCare expenditures are funded by state funds at a rate of 34.965 percent and federal funds at a matching rate of 65.035 percent; therefore, the increase in state expenditures is estimated to be \$1,671,662 (\$4,780,959 x .34965) and the increase in federal expenditures is estimated to be \$3,109,297 (\$4,780,959 x .65035).

IMPACT TO COMMERCE:

Increase Business Revenue - \$4,781,000

Increase Business Expenditures – Less Than \$4,781,000

Assumptions:

- Since the increase in state and federal expenditures of \$4,781,000 is based solely on claims payments, it is reasonably estimated that these expenditures would be increased revenue to the 74 dental providers who would be reinstated as TennCare network providers as a result of the bill.
- These 74 dental providers will incur business expenditures to provide dental services to TennCare enrollees. It is assumed that expenditures incurred will be less than the revenue realized from claims payments in order for the provider to remain solvent.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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